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Childs, William Hamlin

The relation of business  
men to politics, together...

New York

[1915]

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TO THE READER:

SIR:—In the following pages Mr. Childs has given his ideas as to the proper relation of business men to politics, together with his final conclusions as to what might be done to make that relationship more effective. It is particularly in regard to these conclusions that we are anxious to obtain your opinion. Will you not write us what you think of Mr. Childs' suggestion for a Business Men's Bureau of Economic Research? If you wish your letter considered confidential, it will be so considered; otherwise, we shall feel free to use it for publication.

THE EDITORS,

*The Market World,*

*80 Wall St., New York City*

JUN 27 1915  
President's Office

# The Relation of Business Men to Politics

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Box 11

Together with a Definite Suggestion  
for a National Business Men's Bureau  
of Economic Research

An address before the National Association of Clothiers,  
Atlantic City, June 2, 1915

By WILLIAM HAMLIN CHILDS  
President, The American Coal Products Company

Reprinted from  
The Market World  
New York

13 Sept. 1915, MS.

## THE RELATION OF BUSINESS MEN TO POLITICS

By William Hamlin Childs

President, The American Coal Products Company

I N this time of public stress and of a completely united support of the President in his wonderfully lucid and able stand upon the European situation, it is no time to criticise harshly previous actions of the Administration. Any statement I make is only kindly explanation of what I believe to be the causes of the present business situation.

Business for several years has been like an automobile on a smooth highway traveling cautiously at low speed for fear of some unknown danger. The Administration, through the press, has been telling the people that industrial peace is here; that business conditions are perfect; and that statements to the contrary are made only by designing politicians.

The watchman is calling out "ten o'clock and all is well; eleven o'clock and all is well; twelve o'clock and all is well,"—while you and I, in touch with business conditions all over the country, know that the statement is not true and that, aside from war orders, general business is far below normal. Capital is timid, and all is not well.

I will suggest to you some of the causes, and I hope to point out some of the remedies.

### Causes.

Among the causes are two very definite ones: First. The tariff changes of the Underwood Bill, which, before the declaration of war, were causing widespread anxiety, and which, in case of a declaration of peace, will again become a factor of great disturbance. The uncertainty hanging over trade on this account cannot be allayed either by the watchman's cry "all is well," or by the hot-air predictions of party politicians that rest lies in a change of administration in 1916, and another log-rolling adjustment of the tariff to a higher level.

The second cause, is the widespread impression among business men, due largely to statements made from time to time by representatives of the Administration, that the Administration has felt that great business men of the United States could not be trusted as advisors on business questions, on account of their known selfishness, and unwillingness to sink the consideration of their own interests in favor of the general public welfare. This was accentuated during the early dis-

cussions in Congress on the Clayton Bill and the Trade Commission Bill, which, if passed as originally proposed, would have wrought widespread disaster to business interests. The Administration should never have allowed the impression to become so widespread among business men, that the powers at Washington controlling the final forms of these bills, were not willing to consult business men of wide experience in framing bills affecting so vitally the whole country's business interests.

The man who is a great executive has always his wireless receiving apparatus in order for suggestions and experience of experts in every line, making up his final judgment after receiving such impressions. The business men viewed with alarm control of business legislation of very disturbing import by men not reputed to have had business experience, and apparently unwilling to search for it in the only place it could be found.

The only conclusion business men could deduce from this situation was that the Administration distrusted the advice of business men as not being unbiased. This assumption was based on a fundamental error, for there is no class of men in this country more ready to condemn sporadic cases of piracy than the business man himself, or more ready to give his time, experience and money to the solution of public questions, and solely in the public interest. The business man has learned that the interests of Labor, Capital and the General Public are *one and inseparable*, and that no public question can be permanently settled until it is settled with due regard to all these three.

#### Influence of Labor Organizations.

Business men were further disturbed to learn that the two bills were not passed, and could not have been passed, until they were approved by representatives of labor organizations; not that the business men are antagonistic to the interests of labor and the development of great organizations of labor, but they were disturbed by what seemed to be an unfair balance of consideration.

The organizers of the American Federation of Labor are entitled to a great deal of credit for the development, after twenty years of intelligent effort, of an organization with two million members, millions of dollars in its treasury, and a large and efficient field force constantly strengthening this organization, by which it accomplishes things, and which is an example for the business men of what results can be had by taking a non-political but active interest in governmental affairs.

The business men cannot advance the interests of this country by simply combatting such organizations of labor in their legitimate

efforts to improve the conditions of their members. Labor leaders are fully awake, and do not hesitate to express their belief that labor cannot be benefited unless business men and business enterprises are prosperous. Business men must be equally alive and equally well organized, if the proper balance of interest is to be considered in State and National legislation. By "business men," I mean all men who are parts of any business enterprise and necessarily participate in its success or failure.

#### Sherman Law.

When the Sherman Law was passed, none of the men who voted for it had any idea of its far-reaching effects, nor did they understand it to mean what the courts have interpreted it to mean. A prominent lawyer said to me one day: "I voted in Congress for that bill, and last evening I attended a dinner where, among the guests, there were not less than eleven men I am now defending in the courts for possible infractions of that very law. I never would have voted for it, if I had supposed it was to be interpreted as it has been." For many years no one paid much attention to the law; the development of the telegraph, telephone and railroads was so closely uniting all parts of the country that the inevitable natural mergers into small and large corporations took place. These were made under the best legal advice in the country, and by business men who had no desire or thought of evading the law. After a large number of these corporations had been carrying on their business for years, the courts decided that such mergers were in restraint of trade, and might be made null and void, notwithstanding the fact that ownership might have changed and general disaster to their business and to their stockholders might result. Fortunately, suits in large numbers with this result in view have not been pressed and probably will not be. There are several suits by the Government now pending against corporations whose principal alleged offense is that of being the result of such a merger. They are acknowledged as free from unfair practices, and the opinion of business men generally is that a forced dissolution would not only be a great injustice and a financial disaster to thousands of stockholders, but also result in increased cost to the consumer.

There has been much confused talk about the dangers of monopoly; as a matter of fact, monopolies are few and far between and can only exist for any length of time in this country if based upon patents. There is so much money in this country seeking lucrative investment that the obtaining of undue profits by any corporation leads directly to competition in that line of business, and brings prices quickly down to a proper level. Any attack by Government on large business

units, with the fear of monopoly and high prices resulting therefrom, is like trying to kill the fleas on a dog with a shot-gun!

The difficulty with the Sherman Law has been the uncertainty as to what is meant by "restraint of trade." For example, after determining upon a certain policy for our corporation, and believing there was nothing in it that was, or ought to be, against the law, I took it to our attorney for examination. He, after carefully looking it over, said "I cannot see anything wrong about it; but, of course, that is only my opinion. I cannot guarantee that the Department of Justice will look at it in the same way." "Well, how can I find out?" "Go ahead," he said, "and try it. If the Department thinks it legal, you will be all right; if not, you may go to jail, and worse; if the person now at the head of the Department of Justice does not disturb you, the next head may have different views, and he may enter suit against you."

#### Business Men's Fault.

But do not let us altogether blame the Government for the causes of this uncertainty, for a very large part of it is due to the apathy and want of intelligent study of the questions by business men themselves. While there have been a few men in different parts of the country constant students of such matters, yet there has been no class of citizens, as a whole, more neglectful of their duty and opportunity than the business men. In their absorption and hurry they have taken their opinions largely from the press, ready-made, and the reiteration of policies by their favorite newspapers has convinced them without mature reflection. They have left the carrying out of public policies to professional politicians, trusted to luck, and shrugged their shoulders if things went wrong, believing apparently that to enter the study of politics was to enter a deep, unfathomable morass, leading only to discomfort, annoyance and possible obloquy.

#### Remedies.

These are some of the causes of the present situation of uncertainty, but business men are not accustomed to dwell long upon causes of failure, except for the purpose of using these as beacon lights to lead them to safer harbors and to build upon the failures a victorious future; so let us turn our attention to the future, and to the remedies.

There are many signs of an awakening, and many signs of distinct steps forward. The business man is recognizing the necessity for active interest in governmental affairs, and is asserting himself. The time has gone by when a card, bearing the stamp of the Department of Justice, presented at the desk of a president of a corporation,

will cause a shiver to run down the backs of a whole line of officials and directors, although unconscious of illegal acts.

The reason why corporation officials have been timid in going forward with many entirely legitimate enterprises, has been that they have desired fully to obey the laws, but could not find out what such laws meant; and when one official statement or court decision seemed to clear the way, the worse following a contrary statement or decision made the confusion worse.

#### Trade Commission.

Now, however, in the Trade Commission there is a distinct note of hope for this situation. The Government has given us the Federal Trade Commission as the means by which it believes—and beyond a doubt in all sincerity—that the troubles and discouraged business situation can be met. It is the duty of business men to accept this offer in the spirit in which it has been made, and to adopt the suggestion of the Government officials that they co-operate in working out the great problems involved. They should not resist everything new that is proposed, on the ground that because they are unfamiliar with it therefore it is visionary and impractical; but, on the other hand, they should never forget that there are fundamental necessary principles in efficient business which they themselves could not change, if they would, and which no Government body, however powerful, can change. It is the first duty of the business man to make these principles clearly understood by the Commission and to assist that body in seeing that any departure from them would be disastrous. The problem is to get a chart for business on which the lighthouses and buoys are marked once and for all, since they have been placed where they belong and are needed. Then business men can join in the cry, "Up anchor, and away!" without fear of speedy shipwreck on an uncharted reef.

The members of the Commission have stated that their desire is to make the Commission a constructive one, and not a destructive one; that they have no preconceived notions as to how constructive work can be accomplished, but are desirous of learning from all sources what should be done in the interests of public welfare. As an evidence of their sincerity they have given their approval of the formation of a Trade Commission Council by the Directors of the United States Chamber of Commerce, with whom they propose to consult from time to time as important matters arise.

The United States Chamber of Commerce has requested trade tributary organizations throughout the country to appoint commissions of the same character as the National Committee for the purpose



of studying, from a local point of view, matters brought up by the Trade Commission or that they wish to bring up for the study of the Trade Commission. The channel is therefore wide open for the business man in any city to present to the Trade Commission Council of his own organization matters that affect his interest; and through that Committee the way is open to reach the National Council and through the National Council the Trade Commission itself.

The spirit manifested by the present Administration in its more recent utterances, and by the Trade Commission in its expressed attitude, should be met in exactly the same spirit by the business men, and questions that the business men desire passed upon should be brought to the Trade Commission with the sincere belief that they will be received in the same spirit in which they are brought.

#### Co-operation.

The Trade Commission is now considering the matter of co-operation between men doing business abroad, endeavoring to find some way in which co-operation can be arranged between such groups.

It is probable that business men will request the Trade Commission to give its attention at an early date to the principles upon which a sound co-operative system in the United States can be based. The day of pools and secret association agreements has gone by, for two reasons, first, the public has had enough of them, and will have no more; and second, because they are economically unsound. They never are permanent, and do not lead to the same development of efficiency as does reasonable competition. There are, however, methods of co-operation that have been beneficial and that prevent, in a large measure, ignorant cut-throat competition.

There are in this country a rapidly increasing number of associations operating, under a plan fully known to the Government, along these lines, viz., meeting together regularly for helpful acquaintance and general discussion of matters of mutual interest, such as stocks on hand, estimated future demands of trade, unanimity of method of obtaining costs, statements of all sales made and at what price, with perfect liberty to change prices at any moment without prior notice, the great advantage being that sellers get immediate accurate advice of quoted prices instead of only receiving them through the medium of buyers' minds with the bump of imagination largely developed.

#### Tariff Commission.

The tariff has been the football of politicians for many years and in kicking it about we have kicked up more waves of hope and despair in the business world than has any other cause. The public has been con-

stantly bewildered; and the heart of the trouble has been aptly expressed by Senator Davenport as "a protective tariff laid not for the common good, but by a politico-business machine method and practice of preparing tariff schedules by and for interested classes who, having performed before committees of Congress the function of telling the people what was good for them, thereupon strolled out into Pennsylvania Avenue, in the cool of the evening, humming softly to themselves:

"I care not for all the stars that shine,  
I only know that I've got mine."

No other highly civilized country in the world allows its tariff to be juggled up and down by log-rolling methods of "I'll give you this, if you'll give me that."

Too little consideration has been given scientifically to the actual difference in the cost of labor in this country and other manufacturing countries, and too often the expected savings by reductions of tariff have been absorbed by foreign manufacturers or producers, by the simple method of raising the price just high enough so that the cost delivered in this country was the same as before. For instance: Before the Payne-Aldrich Bill was passed, the duty on sulphate of ammonia was \$6 per ton, and 70,000 tons were imported. Notwithstanding the high prices of grain, and the notoriously enormous sales of automobiles and pianos in the farming States, the farmer demanded free sulphate of ammonia for his fertilizers, and his votes were many. Consequently, off came the tariff of \$6 per ton, the sulphate was handled abroad by a cartel, the foreign producers promptly advanced their prices \$6 per ton, and the farmer was in the same position as before; but the Government was out \$420,000 per year, and has been ever since.

There has been a great cry about dyestuffs in this country, and the manufacture of all the aniline and antracine colors could long ago have been fully established in this country if the Government could have prevented the German cartel from driving out, by brutal competitive methods forbidden among our own manufacturers, the aniline industry just starting here. This industry in Germany as a whole is bound together by trade agreements and co-operative arrangements which add greatly to the efficiency of production. Perhaps even more important from the present point of view of the American business man is this significant statement published by the largest company, viz.:

"On looking back upon the successes which the Bädische Anilin und Soda Fabrik has achieved since its foundation the management

feels it to be its pleasant duty to remember gratefully the benevolent and appreciative support which its efforts have always met at the hands of the State authorities."

There is the very heart of the matter: Government encouraging business but always controlling with due regard for public welfare. By the fortune of war the aniline industry is now on a fair way to establish itself here before such brutal competition can kill it again.

Now what is the remedy for this? It is a permanent non-partisan Tariff Commission, with the broadest powers possible under the Constitution, to study the whole subject and reports facts, hear complaints and recommend such changes in the schedules from time to time as may be necessary to make the rate fit the facts and conditions, and without impairing the revenue necessary. In such enactments there should be provision for elasticity, for the correction of errors. It must be obvious that an iron-clad enactment can never be made to meet changing conditions to the satisfaction of the people. If, however, the tariff-making shall be put upon a scientific, economic basis, Congress being aided and advised by a Tariff Commission having the public confidence, it will be absolutely out of the question to make the tariff an issue in a political campaign—there won't be enough in it for the purpose.

The Commission will be a sort of Tariff Court, to which any industry that feels aggrieved may apply, and upon showing that it has been unjustly dealt with and that relief is necessary, steps will be taken to have it considered by Congress.

Congress has the power wholly to disregard the recommendations of the Commission and absolutely ignore it, but any members of Congress taking this position would probably not be returned by their constituents.

Now suppose that a Tariff Commission had been in working order in 1909, the Payne-Aldrich Bill would never have been passed, and the political upheaval of 1912 would not have resulted in the Underwood Tariff Bill with its disastrous results. In other words, if the business men in this country had been on the job, all this tremendous loss and waste resulting from the present method of tariff changes would have been saved—and yet business men think they cannot afford to give their time to study public policies. Why, gentlemen, *you cannot afford to do anything else.*

The time for the Tariff Commission propaganda is now. Every possible effort should be made so to educate the people on this subject that Congress cannot fail next Winter to provide a strong, permanent Tariff Commission, to remove that subject from the strife of mere party advantage. The United States Chamber of Commerce has, through a

referendum, registered practically a unanimous vote of its seven hundred allied organizations in favor of such a commission.

There are many other questions of great importance that need the help of business men in their solution, for instance:

#### The Mercantile Marine.

A very definite and apparently sensible plan for the encouragement of the building up of our mercantile marine, is to be submitted to the next Congress. Business men should study this plan and, if satisfied that it is right, should lend their aid in the passage of the necessary legislation.

Do not let us, however, delude ourselves by an idea that the establishment of ship routes to foreign countries will bring us large amounts of trade without the investment of our capital in those countries themselves. And, further, there is no possibility of such investments on any large scale so long as the present attitude of the State Department continues to be that it is not the function of this Government to protect such investments against unjust losses or to safeguard the lives of the American employes of such enterprises.

A short time ago a company in this country, interested in a concession in Ecuador, was suffering from some injustice in that country. It appealed to the State Department at Washington for protection of its property and of its employes. The State Department declined to take up the matter, on the ground that it would be an unfriendly act to our sister Republics in South America. On the advice of its counsel, application was made in England for an English charter, which was granted on the condition that English superintendents be in charge and the bulk of the supplies be purchased in England, in return for which the British Government guaranteed ample protection.

Within a month a company in New York went to the State Department with this proposal:

"We are invited to establish an electric light plant in a South American State. We have funds and the ability to erect this plant. We are not willing to do this unless we are assured of some protection from the United States Government against injustice."

The State Department replied:

"If you make such an investment, you do so entirely at your own risk."

As long as this attitude of the State Department continues, it is

"Good Night" to the idea of any remarkable growth in our foreign trade. In the Baltimore platform was this clause:

"The constitutional rights of American citizens should protect them on our borders and go with them throughout the world; and every American citizen residing or having property in any foreign country is entitled to and must be given the full protection of the United States Government, both for himself and for his property."

Many business men have gotten so that they do not like to even discuss this condition of affairs. They are in the attitude of the man in the Western city whose favorite newspaper asked its male subscribers to reply to the query: "Why did I marry?" This man wrote as follows: "Dear Editor, Why stir me up!"

#### Peace Insurance.

The question of a sufficient army and navy to ensure peace in this country.

It is rather staggering to be told that we have only 31,000 mobile troops; that our navy lacks submarines; and that both army and navy lack equipment and ammunition. That we have no reserves, while a tiny country like Switzerland, with a standing army of only 1,200 men, can, from her system of reserves, put 350,000 men fully equipped in the field in thirty days.

A competent, non-partisan council of high standing, like the Monetary Commission, should be appointed at once to investigate fully our condition, and recommend such action as may be necessary.

#### Party Government Waste.

A large percentage of our taxes is due to the enormous waste of government for party advantage, instead of solely for public welfare. A very large part of city, State and National government activity is concerned with purely business questions; but if our private businesses were run as many of these are run, we should be bankrupt. Why should party victory mean a complete change in the personnel of the heads of all departments of government? We could not do it in our own business and succeed. What difference does it make whether the State Engineer or head of the Post Office Department is a Republican, a Democrat or a Progressive, if he is fit for the job? More permanency in such positions is necessary, if efficiency and economy are to be regarded. Why are the German Government and German industries so efficient? Because German business men are trained to understand that each must help the other, and nothing interferes with the one great idea of efficiency and economy.

#### After the War.

One of the most important matters that should concern our business men is the study of what is going to happen to our industries in this country when this terrible war is over. Will there be much, or little, immigration? Will the cost of labor be lower or higher abroad? Will Germany or England be more or less formidable competitors than before the war? These things are of vital importance to our future; and who is going to give correct answers if the business man neglects them?

#### Business Men's Ballot.

There have been a number of distinct steps made already in the direction in which business men should advance. The rapid adoption of the Short Ballot idea throughout the country is very promising, for the Short Ballot is the business man's ballot. It requires a minimum amount of the time of the business man; it puts the responsibility upon a few elective officials by making them appoint the less important ones, and thus keeps them and their acts in the limelight. The growth of the Commission Government cities is the development of this idea. Over 369 cities are now under the Commission Form of Government, and very largely taken out of party politics and handled on a strictly business basis.

#### Business Men's Organization.

Another forward step has been the remarkable renewed interest taken by business men all over the country in Trade Associations and Chambers of Commerce. The successful formation of the United States Chamber of Commerce, representing seven hundred allied associations, with a fully equipped office at Washington, is a long step in the right direction. It is the duty of every business man to support generously all these organizations.

#### Business Men's Federation.

It is the *first* duty of the business men of the United States to educate themselves upon the true principles underlying the relationship of business to the public welfare, and to come to some measure of unanimity as to what methods should be pursued to put these principles into practice.

Now let me put into your minds a new idea to think about: Let small groups of the ablest business men be formed in each of our important cities for the purpose of self-education on public policies; let there be formed a National business men's Bureau of Economic Research and on its staff have representatives of labor, students of

economics and business men. Let this Bureau, with the single motto of "pro bono publico," have sufficient money to search out the very best authorities on any given policy, here or abroad, and to work up, with the help of such experts as may be necessary, concise, forceful pamphlets for distribution to these several groups. Then let these groups radiate this educational information to all the business men they are in contact with. Let this lead, possibly, into a federation of business men, students of public problems, using their chambers of commerce and trade organizations for spreading this information and for the execution of the results of their studies. Then, with these digested views, undertake to educate the general public.

In Brooklyn there is a young man only twenty-three years of age, who has given to the world a wonderful invention in aviation. It is a stabilizer upon the principles of a gyroscope, which he attaches to an aeroplane, and which promises to make air travel as safe and enjoyable as travel on land or water.

The business men should so educate themselves and so organize as to become a stabilizer in the solution of the many business and social problems before this country and to add a new motive power to all movements for public welfare.

The country's problems are crying out to the business men for their experience, wisdom and leadership. Business men are awakening to the fact that there is an enormous latent unused power for general good in their study of public policies.

The politicians are beginning to hear the murmur of this business movement, but the murmur they hear from the comparatively few men on the job is like the pattering of the raindrops before the onrush of the thunderstorm that is surely coming.

In the words of Harry Lauder's latest war song:

"Oh, laggards don't ye hear the call?  
Why don't ye answer it?  
Yer mother-country needs ye all,  
R-o-l-l up and dae yer bit."

Business men, don't ye hear the call?  
Yer mother-country needs ye all,  
R-o-l-l up and dae yer bit.

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